

10 Regionalism: The Case of North America

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INTRODUCTION

The North American region is only starting to undertake a process of integration that at present limits itself to certain economic aspects like trade and investment. Although the goal has never been to engage in such an accomplished integration as the European Union, certain non-economical aspects, like environmental and labour issues, are already taken into account. Can this sort of integration limit itself to the trade and investment level or can something deeper be achieved? And in the latter case, what role do certain structural factors like cultural differences, national identities, experiences of nation-building, internal conflicts, and the process of homogenization, and so on play in the process of integration or of regional institutionalization?

We propose to examine how the three members of NAFTA represent three different cultures, built through different historical trajectories, while the mode of institutionalization of economic cooperation in NAFTA represents only one of these three cultures – the American one, and its values, concepts and traditions. Hence, this one-sidedness of NAFTA's institutionalization as an integration project is heavily reflected in the type of economic regulation, a very neo-liberal one, and severely limits the possibility of a regional identity formation.

REGIONAL IDENTITY: SPANISH, FRENCH AND ANGLO-SAXON HERITAGE

Canadians, USA's citizens and Mexicans are separated not only by the language; their history, religion, race and philosophy are totally different. The United States and Canada are nations with only 500 years of history but they are well advanced into the twenty-first century while Mexico with a history of several thousand years is still attached to its past.

One of the fundamental contradictions opposing the North and the South, the Anglo-French and the Spanish heritages has been their difference in mentalities and traditions – regarding the role of the market, of the aristocracy and the bourgeoisie, of the state and the church – that has shaped the development of two radically different societies within the same geographical region. Moreover, the European paradigms of ‘development’, ‘democracy’, ‘progress’ and ‘modernity’ have not only been interpreted differently according to an Anglo, French or Spanish tradition, the original, so called ‘Indian’ cultures have made these differences even deeper.

However, the European – and specially the Anglo-Saxon – paradigm of modernity has had a very strong influence over Mexico’s educated élites. This, together with the impact of the ‘American way of life’ in the Mexican middle and upper classes, concerning their projects of life has become one of the pillars on which the project of regionalization and institutionalization of this regionalization may be built.

NATION AND STATE BUILDING

Experiences of Nation-Building

The American nation-building experiences have been enormously different even if all these countries shared the experience of colonization, European immigration and independence from Europe.

North America had a certain ethnic identity before European colonization. However, while the North American populations were mostly nomads with no urban experience, the meso-American peoples had attained a high level of urbanization and cultural and scientific development. This diversity, the conflicts among them, together with the different cultures of the European colonizers made the way for two processes of conquest and colonization: one in the United States and Canada and another in Mexico.

In the United States and British Canada the English–Protestant tradition moulded a certain type of nation-state that denied any legitimacy to the native-Indian populations and traditions. These were rapidly conquered and physically eliminated in large numbers. The model of economic development was based on private initiative – first rural and commercial, then industrial. The European settlers themselves became the labour force in the case of the northern territories

and Canada; whereas in the southern plantations of the United States this role was taken by slave labour.

In French Canada the settlements were mainly rural, under the strong influence of the Catholic Church, and very conservative. Also, because of their rupture with France in 1759, they were isolated from the Enlightenment period and all the liberal ideas that preceded the French revolution. French settlers refused to mix with the British or other immigrants. From Britain they obtained a certain autonomy after 1774. Moreover, Canada 'officially' became from the end of the eighteenth century, two nations: Upper and Lower Canada, where English and French Canadians respectively predominated; the first increasingly commercially and trade-oriented, the second overwhelmingly rural. Despite some liberal uprising – the French Canadian rebellion of 1837–38 – French Canada remained very traditional, rural-oriented and underdeveloped. Besides, because of British migration policies, the French became a minority by the middle of the nineteenth century.

In the case of the Spanish colonization the situation was very different. The European settlers recruited the Indian population as a working force and thus kept some of them alive in extremely rude conditions, physically and culturally. The model of development: state controlled, inefficient, aristocratic, nearly feudal and export oriented, sealed Latin America's underdevelopment.

Identity and 'national belonging' also differed within the region. In Canada and the United States, the European settlers became 'American, French or English-Canadian citizens' without losing their European cultural identity or religion (although this identity somehow got adapted to the new context – that is, Americanized). However, the black slaves and afterwards other non-European waves had problems finding their place in the new national entities.

In Mexico the mixture of cultures and races produced an identity confusion: most Mexicans are neither European nor Indians, they are 'mestizos'. The nation-building after independence was forged through a century of devastating civil wars and foreign invasions. The Indian groups that survived maintained their culture and language in a marginal way, and they have never felt themselves as part of the Mexican nation.

The Process of State-Building

The state-building process in the countries of the region has also been different. Canada and the United States followed the European patterns

of democratic institutions (Canada – parliamentary, the United States – presidential) inherited from the British parliamentary tradition. Their state-building was influenced by regional interests (Canada – French-British, USA – South-North) which laid the ground for a strong federalism and full respect for the provinces/states autonomy.

Mexico inherited a very authoritarian tradition both from the pre-Hispanic world and from Spain. After independence and endless struggle between Liberals and Conservatives the Liberal victory shaped a presidential federal republic that nevertheless allowed for a powerful and centralized presidential power that left little power to the Congress or the provinces. Neither the Mexican Revolution nor the reforms brought by it changed a centralized, authoritarian state that also became corporative.

DOMESTIC CLEAVAGES

Canada

In Canada the main social cleavage is between the French and the Anglo-Saxon parts of the population. In the beginning of the 1990s the French-speaking Canadians comprised 25 per cent of the total population of Canada but 80 per cent in Quebec (World Directory of Minorities, 1990). In spite of the fact that the Constitution of 1867 guaranteed certain language rights to the Francophone minority French Canadians found themselves increasingly disadvantaged.¹ This resentment was directed not only towards English-speaking Canadians but at economic domination by Canadian and US firms.²

The political mobilization behind nationalistic aims started in the 1960s. Quebec accomplished a late transition from a rural society and isolationism to modernization. A search for identity through direct contacts with France and Francophone countries and increasing socio-economic difference with British Canada gave way to a strengthening of autonomy and independence goals which found their expression in the 1970, nationalistic terrorist groups' actions and the 1976 victory of the PQ under the leadership of René Lévesque in Quebec.

By 1980 this nationalistic period had lost momentum.³ However, Quebec has not yet found its place within the Canadian federation up to now. The failure of the different attempts to give Canada a constitution satisfying all regional and national interests reflects a crisis in the Canadian national formation.⁴ The 1995 referendum concerning

Quebec's sovereignty again saw the defeat of the separatists.⁵ But Quebec's French speakers (four-fifths of its electorate) voted 60–40 per cent for independence and it's doubtful they will be satisfied with only some changes to the Canadian constitution and a few more powers devolved to Quebec's provincial assembly (*The Economist*, 11 November 1995). The native people's (5 per cent of Canada's population) grievances are also part of the internal problems Canada faces, and this concerns mainly Quebec where there are still conflicts of interests between French-Canadians and Indians regarding territorial rights.

The USA

The USA's internal cleavages are also related to ethnic and socio-economical differences. All immigrants were supposed to have an equal opportunity to develop their abilities and fortunes, but American Indians, African slaves and many non-European groups of immigrants lacked such opportunities. American society became, in fact, a conglomerate of different social and national groups that didn't mix with each other: the opposite to the 'melting pot'.

Ethnic and socio-economic conflicts oppose native Americans,⁶ African-Americans (the largest minority, 12 per cent of the USA's 255 million in 1990⁷) and Latinos on the one side, to Asian-Americans and Whites (or 'European-Americans') on the other. Several social movements have legally given minorities equal rights to those of the rest of the population,⁸ but in spite of the fact that some of their members have attained middle-class status, racial and socio-economic marginalization has continued.⁹

On the other hand, Asian-Americans (2.7 per cent of the American population) in spite of their heterogeneity and of having come as manual labourers or extremely poor refugees seem to have far less socio-economic problems than the other minority groups.¹⁰

The 'Whites' or Europeans do not constitute a homogeneous group. Nevertheless, they statistically form the core of the 'average middle class' and they have been able to become integrated into American society without major conflicts.

Contradictions between these minorities and between them and the white European majority are one of the most destabilizing problems the United States faces today.¹¹ Poverty, segregation, unemployment, lack of education and lack of alternatives reflect deep ethnic, class and cultural contradictions.¹² Within politics, one can notice that the racial

and social questions have penetrated and divided the ideology and programmes of both the Democratic and the Republican parties, and besides this the political system is going through a deep crisis of representation and alienation from politicians.¹³

Mexico

In Mexico, social and regional cleavages are even deeper, especially after the 1994 crisis.¹⁴ Already during the Salinas period the average income of the wealthiest 10 per cent of the population was 36 times higher than that of the poorest 10 per cent. In Western Europe such a relation is usually around 10 (Pipitone, 1994, p. 22). By the beginning of 1996, according to some calculations, two-thirds of the Mexican population lived in poverty.¹⁵

The social contradictions reflect themselves at the internal regional level. The north of Mexico is rather industrialized, partly as a result of the *maquiladoras* scheme which has been in place since the 1960s, and partly because the internal industrialization efforts since the 1940s took place mostly in the north.¹⁶ The north got more transport, urbanization and industrial infrastructure and became a place of reception for workers migrating from the southern states (for example from Oaxaca). Even politically, since the 1910 revolution the north has been better represented in central government.

The south, where most Indian groups still live (15 millions in the whole of Mexico), remained rather rural, with lower rates of employment, education and health. In 1993, seven of the southern states (65 per cent of the population) had incomes of less than two minimal salaries (1 minimal salary = US \$3 per/day).¹⁷

Social unrest in these regions (but also everywhere else) had a violent outcome with the Zapatista movement in Chiapas in January 1994. In Chiapas social and ethnic contradictions are reflected at its utmost.¹⁸ Chiapas was only the beginning of a deeply rooted social crisis that erupted in new guerrilla movements, in new social movements and even in a political crisis within the official party.

RECORD OF COOPERATION AND CONFLICT

Certain key conflicts have opposed mainly the USA and Mexico. The first one, the territorial conflict, although more than a century ago, has left definite traces since then that have marked the relationship

between Mexico and the United States. Mexico's loss of half of the Mexican territory in 1848 marked the Mexicans with a profound distrust of American motives and contributed to Mexico's xenophobic tradition (further reinforced by the French intervention in the 1860s). Further on, Mexico's independent position in international affairs confronted the US both in the case of the Cuban revolution and in that of Nicaragua during the Sandinista period.

Mexico refused to back and comply with the US-inspired Organization of American States (OAS) resolution to exclude Cuba from the organization in the early 1960s, to break diplomatic relations with its government and to enforce an embargo against the island for its subversive activities.¹⁹ The conflict remains unsolved and has even escalated with an increasing embargo (the Helms–Burton Law) to which both the European Union and Canada as well as Mexico and many other countries of Latin America have reacted.²⁰ This has gone as far as the creation of special laws both within Mexico and Canada that try to protect their national firms from the effect of the American law.²¹ Moreover, this is creating a serious conflict to be solved within the conflict resolution mechanisms foreseen in NAFTA.

The Central American conflict during the 1970s also placed Mexico's position (together with other Latin American countries and even Canada sometimes) in opposition to that of the USA. Mexico and Venezuela tried to counteract the region's polarization and its transformation to a North–South conflict. The Contadora initiative was a response to this polarization; its failure demonstrated once more a typical American mistrust for all initiatives not taken by their unconditional allies. On the whole we can say that the record of cooperation and conflict has been determined to a high degree by US security, political and economic interests. Cooperation has only succeeded when these interests have permitted it to succeed and conflict has surged whenever these interests have been or seemed to be at stake. Once again cooperation has meant a sort of US institutionalization framework.

Apart from all three being members of the Organization of American States they have also collaborated in different sub-regional economic (since the Alliance for Progress) and even defence schemes (like the Pact of Rio) inspired by the USA's security and economic interests, what can be called hegemonic regionalism. Besides, Canada has had a long-standing cooperation with the USA regarding defence matters, as a member of NATO. However, more than an integrated pattern of cooperation – where partners are equal – we have different

bilateral relations with the US at one end and Canada or Mexico at the other.

Although there have been several integration schemes within Latin America, since the 1960s none of them included the USA and Canada. NAFTA is the first to do so. Moreover, this has been interpreted as an effect of the global trends towards regionalization in other areas. But does NAFTA really place North America in a framework of regional integration? Only a few years ago the idea of a free trade agreement between Mexico and the United States would not have been accepted by Mexican political élites. The situation was different for Canada who signed a first free trade agreement or 'Reciprocity Act' with the United States in 1854. In 1989 – after several years of negotiations – the Free Trade Agreement (FTA) between the US and Canada started to be implemented. This confined itself to trade and investment issues and as such would be the model for NAFTA.²²

NAFTA is not comparable with the EU integration scheme. Its aims can be compared in principle to those of EFTA (European Free Trade Association) in the sense of being a differential trade area that does not entail any elements of supranationality. But NAFTA is also an 'institutional framework', fostering and guaranteeing the continued pursuit of neoliberal policies at the domestic level in countries party to the agreement, within an asymmetric relation where the USA is dominant. This asymmetric linking coupled with the absence of any foreseeable regional political union as in the European case, opens the space for the USA to pursue its specific vision of democracy and the market for the entire region. Moreover, different business groups play a superordinate role in pushing forward a programme of market liberalization in the context of increased global competitiveness. This represents a rupture with traditional Mexican practices that although engaged in a modernization project, coupled such modernization with a strong nationalism and state control of the economy.²³ On the other hand, the Mexican technocratic élite made NAFTA a new project of modernization for Mexico, the only possible course and one that did not entail an equally radical project of political modernization in the sense understood in Europe with the incorporation of the southern members of the continent at the end of the 1970s to mid-1980s.

In other words, this agreement, formally for trade liberalization, is really aimed at the consolidation of the neoliberal model for the region as a whole. Whereas the USA and Canada want to guarantee a better competitive position for their products, Mexico wants a regular inflow of foreign (especially American) investment to Mexico.

The trickle-down effect is supposed to benefit everybody. However, this can hardly take place without any mechanisms for an homogenization of the members' standards, and a radical political democratization for the weakest of the partners.

PROCESS OF HOMOGENIZATION

In Europe, political homogenization was a precondition for economic cooperation. In the case of North America, such homogenization (regarding Mexico) is supposed to be a consequence of economic cooperation. However, neither political traditions nor economic indicators show any signs of homogenization, quite on the contrary, especially after the social and economic deterioration provoked by the 1994 crisis.²⁴ The homogenization that is taking place regards the rules of the game (liberalization, and radical reduction of the state's involvement in the economy) but not economic potential and living standards. The Mexican government presented NAFTA (with its injection of American and Canadian investment in Mexico) as the magic solution that would raise Mexican standards, but differences are so great that it would take at least 50 years for Mexico to reach US levels of income. This could call for a parallel agreement regarding compensation for the costs of the integration and a social chapter.²⁵ Even the US Congress asked President Bush to 'address issues like transition measures, wage disparity, environmental protection and worker rights' in order to grant him the authority to negotiate NAFTA on a 'fast track' (Pastor, 1992, p. 177).

The side agreements on environmental and labour cooperation, signed in September 1993, are a response to these concerns. However, even if they establish trinational commissions and councils to supervise their enforcement, they do not provide the necessary resources necessary to implement them.²⁶

Homogenization by modernization was supposed to be limited to the economic sphere. In contrast to the Spanish and Portuguese integration experience, where the discourse of political and economical modernization 'went hand in hand' with EC membership (see chapter 9 this volume) political modernization regarding Mexico was far from being a goal. Neither the US government nor the Mexican technocratic élite had expected this project of integration to have any effects regarding a process of political transition towards a modern democratic system for Mexico. On the contrary, both the Mexican and the

US élites seemed satisfied with the Mexican authoritarian system and regarded it as a necessary guarantee that the neoliberal economic changes would not be upset by any social or political protest movements.

However, civil society has somehow reacted to this kind of regional institutionalization. Organizations within Canada, the USA and Mexico have been able to define common interests and development strategies regarding NAFTA's limitations and the kind of integration they would like to have, and it was due to their pressure that the environmental and labour side agreements were incorporated into NAFTA. They stress the negative consequence of neoliberalism for their countries and argue for an agreement that contains a social agenda to harmonize living standards and alleviate the social costs of integration.²⁷ A concrete example of these grassroots contacts is the cooperation taking place among environmental groups from both sides of the Mexican–American border (like the activities of the 'Tijuana-San Diego Environmental Committee') to stop the degradation of the environment that is taking place in this region as a result of the maquiladoras production.²⁸ Women organizations' cooperation across the border is also a good example in this sense,²⁹ and a third example is trade union coordination strategies across the three countries. Although the latter is still limited, their contacts continue and seem to promise greater cooperation.³⁰

On the other hand, certain protest movements have a trend to jump borders. For the first time in history, the 12 October celebration (the day of the discovery of America by Columbus) gathered broad Hispano-American masses from the whole USA in Washington, protesting at the discrimination they were being subjected to: they carried many protest banners ('Ya Basta!') with the same slogans as the Zapatistas in Mexico.³¹

Culturally, although US predominance is unquestionable, there is not one American culture. Each of the groups described above have their own culture – some with a Latin and even a Mexican character. Even though the Mexican middle class is highly influenced by an American pattern of consumption – what we used to call an 'American way of life' – the premises for the fulfilment of such a model have changed and its influence may have diminished. On the other hand, several developments question the hegemony of a single American culture: post-modern trends, the appearance (or reappearance?) of multiculturalism in the US, Quebec's strong attachment to its French-Canadian culture, and the Chiapas Indian rebellion. Thus, a North

American regional identity may be as problematic to attain as a European one. Even more, when the modernization and welfare model offered by the US (as it was offered by the Northern European countries) is no longer so desirable or viable to obtain, what is the use of striving towards a regional identity that matches an institutionalization lacking in popular legitimacy?

But if regionalization is a process that breaks with the present state-buildings and gives way to a sort of federation in which small regions grow stronger and gain a greater autonomy, where local cultures and ethnic identities may have a chance to survive, then multiculturalism may be the basis for a regional identity. Should, for example, Indian groups be listened to and perhaps join forces all through North America, there may be a chance that the evil circle of a centralized and authoritarian state could be neutralized by a regional counterbalance.

CONCLUSION: IS NORTH AMERICA BECOMING A REGION?

It is very difficult to give a realistic assessment of NAFTA after only three years. All three countries have become somehow disappointed or worried by problems they had not foreseen, such as the Mexican economic crisis at the end of 1994. Other problems foreseen from the beginning, like Mexican illegal migration to the US, are still there, growing and waiting for NAFTA (or the US) to address them. This problem is part of the asymmetry we noticed above and is increasing in direct relation with Mexican unemployment.

In the US, criticism of the treaty has also increased, mostly from conservative sectors but even from progressive ones who question this form of regional institutionalization. Part of the problem seems to be the US's (both at the people and government level) reluctance to learn more and get involved with their nearest neighbours' culture and problems. Mexico is still regarded with contempt and ignorance frequently associated to illegal illiterate workers and attractive tourist resorts. Very little of its culture, attitudes and problems is known or acknowledged. Even political modernization involving a break with the old authoritarian patterns was not seen as a necessary or even desirable goal of regional institutionalization by the US power élites. For these élites, Mexico's importance is related to US security concerns that in this era have to do with control of natural resources (oil) and the struggle against drugs traffic and corruption linked to it. Not much on which to build a regional institutional agreement.

For its part, the Mexican government continues to believe in the desirability of this US institutionalization framework as the only alternative for Mexico's modernization project. On the other hand, the Mexican population has become more sceptical of the benefits of such a model and above all of the convenience of such a close dependence of the United States symbolized by NAFTA, spurring new feelings of nationalism that are becoming increasingly anti-American.³² Moreover, the recent political changes with the victory of the left opposition candidate in Mexico City, in July 1997, showed that the old forms of an authoritarian political system are on their way out and that the integration effort will have to acknowledge this. However, integration as such is considered necessary by both the governments and the civil society. Moreover, if NAFTA were to be cancelled it is possible that Mexico would undergo an even longer recovery period, and the possibility of social revolts beyond Chiapas could become a real threat.

The Canadian government is also critical of NAFTA and may press for some modifications even if trade liberalization has benefited Canadian exports.³³ Canada also shares with Mexico certain problems regarding wheat exports and, as we have seen, the irritation caused by the Helms-Burton Law that both countries are trying to negotiate within NAFTA.

On the whole, regional integration from above is seriously being questioned from below. NAFTA is still, basically, a 'negative' form of integration, removing obstacles for the free movement of goods and capital, even though the agreements on labour and environmental cooperation may be the first sign of a 'positive' form of integration. Nevertheless, NAFTA is still far away from a common market or customs union which would imply among other things the free movement of labour, something the US government is far from accepting.

The diversity of attitudes and values within the region is enormous: individualism against corporatism, liberalism against authoritarianism, respect for human rights against repression and lack of respect for the law, free market against monopolies, and so on. Compared to Europe, North America presents far more economic and social contrasts. None of the countries in question is free from internal political, ethnic or socio-economical cleavages. The French-British cleavage in Canada may well result in the division of Canada. National/ethnic ruptures are something difficult to see in the near future in the USA but its racial and socio-economic problems may well provoke new waves of instability in certain states of the union. Mexico is being ravaged by social/ethnic and political problems that will certainly affect the US.

The forces that have pushed for a regional institutionalization are the modern, industrial and business sectors, to consolidate a model of economic performance (the neoliberal model). Political modernization in the form of democratization was never contemplated. The people at large were absent in this project. However, civil society or some sectors of it have found forms to participate and even to have some influence – through the agreements on labour and environment cooperation – on the process of integration. The question is how to try to solve the internal conflicts and problems in the three countries within a regional perspective that, taking into account the demands from below, is not neutralized from above. That is how to link the institutionalization of the region both to global changes and to internal transformations and needs. In fact the two cannot be separated.

Notes

1. This resentment only grew with the urbanization of the Quebecois society (by 1931 it had become 63 per cent urban), the loss of influence of the church and the rise of a new class of nationalist and radical intellectuals and trade unionists. *World Directory of Minorities*, 1990.
2. *Ibid.*, p. 17. A Royal Commission on Bilingualism and Biculturalism established by the federal government in 1963, showed disparities in income, education and employment between French and English speakers in Quebec with the French-speakers greatly disadvantaged. French-speaking Canadians have also populated other provinces.
3. The option 'sovereignty-association' (seen as a step towards full separation) was rejected in the referendum organized that year. In 1985, the PQ dropped its long-term goal of independence and also lost office in the Quebec elections.
4. The 'Meech Lake Accord', in June 1987; the 'Charlottetown agreement' in 1992.
5. They were defeated by only one percentage point and blamed 'the ethnic vote' (immigrants vote) for this defeat.
6. *World Directory of Minorities op. cit.*, p. 3. By 1880, in California alone, the Indian population fell from an estimated pre-European level of 350 000 to 20 000 (p. 6). In 1985 half of the Indian population was unemployed and 55 per cent of their homes were sub-standard, with suicides and accidents the most usual causes of Indian death (*ibid.*).
7. *The Europa World Yearbook 1993*, statistical survey.
8. This gave way to a certain sense of identity and to a radicalization (like Malcolm X). The Black Power movement was part of this wave of the 1960s, and even the Black Panther party. In 1964 the Civil Rights Act was passed.
9. The black middle class has made notable advances: in 1990 of those blacks who worked 40 per cent were 'white collars'. They were only 10 per cent in 1950. However, racial marginalization coincides with serious

social problems. Approximately one-third of the Black American population live at or below the poverty level. See *Dagens Nyheter*, 15 November 1993. Mexican-Americans are 5 per cent of the total US population (12.1 million) and represent 60 per cent of all the Spanish-speaking people in the US (together with other Hispanic Americans: 7.3 million) becoming the second minority of the US, after the blacks and they are expected to become the dominant minority by the turn of the century. Robert Pastor, 'NAFTA as the Center of an Integration Process: the Nontrade Issues' in N. Lustig, B.P. Bosworth and R.Z. Lawrence, *Assessing the Impact of the North American Free Trade*, Washington, DC, The Brookings Institution, 1992, p. 178. It has been calculated that Mexico has lost about 1 million persons to the USA every 10 years (*World Directory of Minorities*).

10. In 1980, Asian-American families had a median income of \$23 660 compared to \$20 800 for white families. Also they had higher levels of education and professional qualifications and higher household participation rates than other groups, *World Directory of Minorities*, *op.cit.* p. 10.
11. A showcase is the Los Angeles riots in 1992. The wave of ethnic violence confronted mainly Hispanic-Americans against Koreans. Pierre Briancón, *ibid.*, p. 20.
12. For the overall figures see *The Economist*, 4–10 May 1996, p. 102 and 13 April 1996.
13. As the Perot phenomenon showed in 1993.
14. Public expenditures on social welfare such as health, education, subsidies and so on decreased from 7.3 per cent of the GDP in 1981 to 3.2 per cent in 1988. The poor increased from 32.1 millions in 1981 to nearly 50 millions in 1988, that is more than 60 per cent of the population.
15. From 1987 to 1990 infant malnutrition increased by 65 per cent. In the countryside, at the beginning of the 1990s it was calculated that about 4 million children were undernourished. See Domínguez, 1995.
16. In 1965 the 'Programa de Industrialización Fronteriza' (PIF) was launched. This was done to create new jobs for those workers that had to return to Mexico from the USA because of the termination of the 'guest-workers' programme put in place since the Second World War. This was also a way to attract foreign investment. The PIF meant that American industries established plants that could perform part of the production process in Mexico and then return the product to the USA to be sold or exported from there. In the beginning of 1996, maquiladoras accounted for 40 per cent of all manufactured exports, employed more than 600 000 workers (mostly women) and pay on average US \$5 per day, that is 30 per cent more than the minimum salary in Mexico (INEGI, Mexico, by Internet, 2 February 1996.)
17. The Indians can be considered marginalized among the marginalized: malnutrition among them has increased from 66 per cent to 71 per cent between 1987 and 1990 (Domínguez, 1993).
18. To have an idea of Chiapas socio-economic unbalances see Suarez Guevara, 1995.
19. Mexico was consistent with this position during all these years although relations between Cuba and Mexico were only maintained at the

- diplomatic level; there was nearly no trade or other economic relations until the 1980s and 1990s. At present these relations have become rather significant for Cuba as Mexican private enterprises have made considerable investments in the island. The recent re-enforcement of economic sanctions by the USA has provoked a lot of protests internationally starting with Mexico.
20. See *La Jornada* (Mexico), 25 May 1996.
 21. See Mexico, NAFTA report 31 October 96 and *La Jornada* (Mexico), 8 November 96.
 22. *Mexico and NAFTA Report*, London 28 October 1993. For a discussion of Canada and the FTA see Jean Revel Mouroz, 'Integration-désintégration à échelle des continents: L'ALENA vu du Mexique', Séminaire GEMDEV-EADI 13-14 May 1993, Berlin. Also, *The European World Yearbook 1992*, ed. Europa Publications, pp. 660. For NAFTA's limitations on non-economic issues see Gustavo Vega's comments to Pastor's article in Robert Pastor, 'NAFTA as the Center of an Integration Process: the Nontrade Issues', *op. cit.* p. 200.
 23. For example, the theme of privatization, especially regarding national resources and in particular the oil sector, has created an enormous debate in Mexico where most political parties and the majority of the population are opposed to such privatization.
 24. In the mid-1990s Mexico still has some of the lowest salaries in the world, on average 10 times lower than American salaries. In the United States the GNP in 1990 was over US \$5000 billion, in Canada about US \$550 billion and in Mexico about US \$200 billion (*The Europa World Yearbook, 1992*). Mexico's per capita GNP in 1991 was US \$3030, that of Canada US \$20 440 and that of the USA US \$22 240 (World Bank's figures for 1991). Regarding unemployment it is estimated at 30 per cent (*Mexico and NAFTA Report*, no. 1, 1996), compared to 5 per cent in the US and 11 per cent in Canada, and it is calculated that Mexico needs to create 800 000 new jobs every year (Appendini, 1992, p. 1).
 25. For a discussion of this alternative see Castaneda, 1993, pp. 21-41.
 26. See: North American Agreement on Environmental Cooperation and North American Agreement on Labor Cooperation between the government of the United States of America, the government of Canada and the government of Mexico (13 September 1993). Regarding the environmental agreement a report by Public Citizen and Mexican RMALC (Red Mexicana de Acción Frente al Libre Comercio) claims that the promises for a cleaner environment have not been fulfilled, on the contrary, things have deteriorated. See Domínguez, 'Regional Integration in Uneven terms: the case of Mexico within NAFTA' (forthcoming). Labour cooperation is also disappointing even if there are some exceptions like the Sony case: *Mexico and NAFTA Report*, 1995, no. 5, p. 1.
 27. See 'NAFTA' in *South Letter*, Winter 1992-93, p. 12. Also, interview with Bertha Lujan of the Mexican 'Red de Acción' against NAFTA. Apart from the social agenda these groups press for an ecological chapter and supranational bodies to supervise its fulfillment. It is important to notice that these groups are not against the process of integration in itself, but for a better form of integration than the one contained in NAFTA.

28. Elisabeth Karlsson, 'Maquiladora, Miljö and Hälsa', 7p uppsats i Latin-amerikakunskap (paper presented at the end of the Latin American specialisation course), Vt. 1993, p. 39. See also the investigation carried out by the Commission for Environmental Cooperation of NAFTA in Puerto Maya, Cozumel in August 1996, *Mexpaz #84*, información, 1996.
29. This cooperation enabled several members of the Mexican women's organization 'Comite fronterizo de Obreras' in the border, to attend the Women World Conference in Peking (Huairou) in September 1995. See Edmé Domínguez, 'NAFTA and Women Workers in Mexico: the case of the border Maquiladoras and of Agro-exports', paper presented at the ISA Conference in San Diego, US, April 1996.
30. See the latest meeting of trade unions organized by RMALC (Red Mexicana de Accion contra el Libre Comercio), and the American AFL-CIO in July 1996. Boletín *Mexpaz #80*, información, 1996.
31. See *Mexpaz # 94*, información, 1996.
32. According to recent opinion polls 77 per cent of the inhabitants of Mexico City blamed NAFTA for the increase in poverty (such a belief was shared by 58 per cent of the same population in 1992). Also, 68 per cent of this same population thought that NAFTA would damage traditional Mexican culture and 55 per cent thought the treaty would make Mexico lose control of its oil (*Mexico and NAFTA Report*, 1996, no. 1, p. 4).
33. In 1995, the United States trade deficit with Canada was \$18.2 billion, \$3.5 billion greater than in 1994, *National Trade Report*, Canada, on the Internet, Richard Martin. Also, 'El impacto negativo del ALC para los trabajadores Canadienses: perspectivas del TLC', in *Canada en Transición*, ed. Teresa Gutierrez and Monica Vereá, CIAN, 1994. p. 337

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11 The Challenges of Regionalism: Unbalanced Integration in the Americas

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INTRODUCTION

The heyday of the discussions on a hemispheric free trade area embracing all of the Americas now seems to be behind us. The excitement created by the Enterprise for the Americas Initiative in 1990 ran high through to the Miami Summit in December 1994; since the Summit, very little actual progress has been achieved towards such a free trade regime, despite sporadic declarations to keep the idea alive. Both Latin America and the United States seem to have entered an era of *realpolitik* in their economic relations. The vision of a free trade area from Alaska to Tierra del Fuego still survives and has support, but the terms of the discussion have shifted from emotional sentiments stressing the geographic and historical unity of the Americas (imagined or true) to a greater acknowledgement of more global currents and circumstances, be it the emergence of Asia–Pacific cooperation or the triadic economic world order (US–EU–Japan). Present trends towards regionalization will by no means automatically lead to a single free trade area of the Americas (FTAA).

In Latin America this *realpolitik* is a function of the widespread public feeling of disillusionment with reforms, both economic and political. The peso crisis in Mexico just after the Miami Summit exposed the vulnerability of an open economy to international markets, and the lack of genuine social progress has frustrated the peoples of the region. The so called trickle-down effect of economic growth has not in reality occurred, and the sustainability of growth is dubious in many countries. Instead of the optimism of the early 1990s, it is now possible to talk about a backlash in Latin America.¹ While most Latin Americans are still broadly in favour of regional integration, in the

case of Mexico integration has been counterproductive: 49 per cent of Mexicans think that NAFTA has brought them little or no benefit at all, and 39 per cent are opposed to any further integration within Latin America.²

It is obvious from the results of opinion polls that neoliberal reforms are no longer seen as a panacea for the economic, political and social ills of Latin America.³ The euphoria over free markets has faded and the issue of integration is now looked at in a more pragmatic light. In this respect one of the most serious problems from a Latin American (and Canadian) perspective is the overwhelmingly predominant role of the United States in shaping the course of regionalism in the Americas. This is not just a corollary of the sheer size of the US economy, but a function of a deliberate US policy. A weakly institutionalized free trade regime, which enables the US to resort to protectionism when needed, and a preference for bilateral rather than multilateral integration schemes, are the two main elements of US policy that help to maintain the imbalance. In this chapter these factors are examined from the point of view of the impact on the other two NAFTA partners (Canada and Mexico) and Latin America. The perspective adopted is strategic and policy-oriented.

For the United States the importance of Latin America, with the exception of Mexico, is surpassed by a wide margin by the Asian-Pacific countries. Thus, the US feels little obliged to make concessions to its Latin American trading partners; instead Washington exercises a free hand in pursuing economic policies that are seen as appropriate to its interests at any given time, regardless of whether this contradicts international commitments it has signed or promoted. In either of the two most likely scenarios – that the US will continue to promote free trade but only through bilateral agreements, or that it will increasingly resort to protectionism (this being justified by national trade remedy laws⁴) – the consequences for Latin America are not favourable unless US–Latin American relations become based on a solid institutional foundation. This, however, is unlikely, given US policy preferences. As the United States hovers between free trade and protectionism, it is important for the rest of the American nations to enhance their economic and political relations with other regions. In balancing US dominance in the western hemisphere, the role of the European Union (EU) may thereby be of major significance. Increasing intra-Latin American trade is also a vehicle for achieving the same ends.

These strategies should be seen against a background of it being unlikely that any concrete multilateral steps towards a free trade

system for all the Americas will be taken in the near future. The date set by the Miami Summit for an FTAA, the year 2005, is distant enough to allow the issue to be delayed and transferred to future governments. Presently the most (or only) feasible route towards greater hemispheric free trade seems to be through bilateral agreements with the United States, the route pursued by the US itself; although even this route has stumbling blocks as Chile's attempts to enter NAFTA have shown. In any event, the bilateral route has serious pitfalls for Latin America as such a system with the United States as the hub (it being the only country with free access to the markets of almost all Latin American countries) would only enhance US dominance and hamper the development of intra-Latin American trade.

NAFTA, THE UNITED STATES AND THE EUROPEAN UNION

Canadians, with their economy as intertwined with the United States as is the Mexican economy, have been in little doubt since the Canada-US Free Trade Agreement (CUFTA) that bilateral trade relations with the United States cannot be equal: despite the agreement Canadian exporters have been subjected to arbitrary protectionist actions on the part of US companies and authorities, based on US national trade laws.⁵ An important motive for Canada in joining the Mexico-US negotiations for NAFTA was to seek the support of Mexico for a joint platform of economic policy to counterbalance US dominance and protectionism. A joint platform, however, has not emerged, partly because the institutional instruments provided by the final NAFTA agreement were as weak as those of the CUFTA, upon which NAFTA was mainly modelled. The weakness of Mexico since the peso crisis has also contributed to the absence of a joint policy. The discontent in Canada against the present regional trade arrangement and the need for a broader, multilateral basis have formed the background to Canadian support for a hemispheric free trade system, perhaps even more than the hope of increasing exports to the region.

Seen in this light, it is little wonder that Canada has also actively promoted the idea of a NAFTA-EU trade agreement. While the rationale for such an initiative are of course manifold (ranging from historic transatlantic connections to concrete trade issues), 'it also took much of its nourishment from the notion that a structure embracing many members and possessing a strong sense of procedure and

regulation could do much to mould and configure the behaviour' of the United States, as observed by Allan Smith.⁶ In other words, it was perceived in Canada that stronger institutional and multilateral monitoring, if not governance, of trade policies would help to alleviate problems arising from the loose structure of NAFTA. However, the course of events in this respect was disappointing for Canada. Although Canada was the first to suggest closer relations between NAFTA and the EU, the talks that evolved during 1995 were soon transformed to cover only US–EU relations, despite explicit efforts to get Canada to the negotiation table by the Canadian Minister of International Trade, Roy McLaren. The talks led to the New Transatlantic Agenda, signed in December 1995, between the United States and the EU.

The Agenda, lacking in substance as regards concrete trade issues, can be interpreted as a framework agreement for a further trade agreement between the two parties. As such, it resembles the framework agreements the United States has negotiated with almost all Latin American countries. It also reinforces the US preference for bilateralism, as the United States was negotiating on its own behalf rather than on behalf of NAFTA, even though the other party was also a bloc. NAFTA is not seen by the United States as a single actor or *global player* in its own right,⁷ which reflects the US stance that national trade legislation generally takes precedence over international commitments.

Although in formal terms NAFTA is almost exclusively a trade and investment agreement with no political integration or institution-building, it is so extensive that it brings with it 'many elements of an economic community without an explicit common external tariff', as observed by Peter Morici.⁸ It would be quite natural for such an entity to act as a single actor, or at least for the members to share a common platform when acting individually. This seems not to be the case with NAFTA. However, it is in the interests of the US to keep NAFTA as little institutionalized as possible, as it allows free access to the markets of its neighbours with a minimum of political pressure to harmonize or revoke often contradictory national trade laws, and allows more freedom to operate globally without having to take into account the considerations of the other two NAFTA members. True, the US strategy to negotiate bilaterally with the EU is rational precisely because NAFTA is not as unified as the EU, which in turn is due to NAFTA being a purely commercial agreement and to the disproportionate role of the US in it. Had negotiations

between the EU and NAFTA as a bloc got underway, one might suspect that on many issues the interests of Mexico and Canada might have been closer to those of the EU than to those of the US (for example, in the fields of cultural products like books and films, in agriculture, in public sector services, and in dispute settlements, to name but a few).

Under these circumstances Mexico has unilaterally sought a free trade agreement with the EU. From the Mexican perspective, increasing trade with the EU is important both economically and politically. It would go some way towards balancing US dominance of the Mexican economy, it would enhance the feeling of sovereignty of Mexicans over their economic and foreign policy, and it would provide some indirect support in cases of dispute arising from the use of national trade laws in a protectionist manner by the US.⁹ Commercially, the EU offers similar kinds of markets to those of the US, to which the Mexican export sector has already adjusted itself; that is to say markets with similar consumption patterns and purchasing power. For the EU, Mexico is of interest both as a market in its own right (offering trade potential) and as a member of NAFTA (offering investment potential).

The worst scenario for both Canada and Mexico, as well as for the rest of Latin America, would be a situation in which US–EU cooperation were consolidated in the form of an exclusive free trade agreement outside the framework of NAFTA or any regional integration system in the hemisphere that the United States might participate in. Such an agreement would add more judicial weaponry to the US arsenal, which could be used against other nations in a discriminatory or protectionist manner. It would also undermine the development of Latin America–EU relations, as any subsequent Latin America–EU agreement would be designed so as not to contradict it. Under a US–EU agreement, one can imagine that unilateral discriminatory acts by the US against any other American nation (such as the use of the Helms–Burton Act against Cuba and its trading partners; embargoes on Mexican tuna or Chilean timber and so on) would be less likely to arouse criticism in the EU than is currently the case. A more optimistic view would be that such an agreement would help to constrain the US from resorting to such acts, but on the other hand it seems unlikely that the US would concede (in the form of a US–EU agreement) any more binding power over national legislation than it has done with NAFTA or GATT.

LATIN AMERICA, THE UNITED STATES AND THE EUROPEAN UNION

The direct economic involvement of the United States in Latin America has been on the increase in recent years. The slump of the 1980s has passed and Latin America has again 'achieved' the relative economic importance it had for the US before the debt crisis: in 1994 exports to Latin America reached 18 per cent of total US exports – up from 13 per cent in 1986 and comparable to the figure of 18 per cent back in 1981.¹⁰ But the circumstances are totally different now. The size of US exports to Latin America in 1994 reflects at least two elements: the rapid growth of exports to Mexico during the first year of NAFTA, and the relative ease with which the more or less liberated markets of Latin America can now be penetrated by US companies.

However, the overall growth of US exports in the 1990s has lagged behind that of most its competitors and trading partners. Though still the biggest exporter globally (in terms of total value), the United States has continued to lose its relative share in the global economy. Considering this, the peculiar mixture of free market dogmatism and inherent protectionism in US economic policy seems perfectly logical: with the former it can attempt to win back the position in global markets it once had, while with the latter it can try to contain the penetration of the more successful exporters of its domestic markets, the most affluent and consumer-oriented in the world.

For Latin America, the US policy combination of protectionism and free market advocacy is potentially dangerous. Although in relative terms Latin America is not as dependent on the US economy today as it was before and during the debt crisis: the extra-regional trade of Latin America is now more varied than ever and intra-regional trade has risen continuously; it is however still the single most important trading partner of most Latin American countries and continues to exercise strong political power in the region. The neoliberal orientation prevalent in the region is also a vehicle for the pursuit of US policy goals: investments and financial flows, strongly influenced by US-dominated financial institutions, are dependent on the continuity of present economic policies. In sum, the relative unimportance of any single Latin American country to the US economy (with the possible exception of Mexico) means that the US is not inclined to act in a genuinely reciprocal way in its bilateral trade relations.

The danger lies in the not so remote possibility that the United States may turn itself into a more protectionist 'fortress America',

with markets which appear to be open in principle but in fact are made inaccessible by a plethora of national legislation; while the fortress itself continues to have a free reign over the more 'bucolic' economies in the hemisphere (that is, those of Latin America). Nominally reciprocal bilateral agreements (to which the US seems to have committed itself) may prove to be of little value in such a situation: under-institutionalized as they would remain, they would be no bastions of juridical and contractual equity against US economic interests. In addition, the US could block countervailing protective measures by Latin American countries by means of selective embargoes and restrictions (of which examples abound) and through pressure in the IMF, WTO and other such organizations.

Therefore, it is for their greater economic security that Latin American nations should seek a stronger multilateral and institutional basis for their extra-regional relations. This is all the more important because it is far from certain that a Free Trade Area of the Americas will materialize. Currently the situation works in the interests of the United States, as it can more freely exercise an *ad hoc* policy in its bilateral trade relations with Latin American countries, with little fear of larger political ramifications. This is, moreover, compatible with the US interest in keeping NAFTA from becoming a more institutionalized actor.

For the purpose of broadening and institutionalizing the extra-regional relations of Latin America, the EU offers probably the most willing and balancing partnership considering that, in particular, the ambitious proposals made at APEC meetings are as yet merely unfulfilled promises and, if APEC ever does become a fully fledged FTA, is likely to be dominated by the United States, Japan, China and the 'Asian Tigers'. In its Basic Document for EU-Latin American relations (31 October 1994), the EU advocates 'a dynamic increase in the economic exchanges between Europe and the emerging markets in Latin America, especially through rapid implementation of tariff reductions and the abolition of trade impediments'.¹¹ This, according to the Basic Document, could be realized through agreements with regional and sub-regional groupings as well as with individual countries. The groupings specifically mentioned here are the Rio Group, Central America (the San José Group) and Mercosur.¹² Clearly there is a great deal of intellectual consensus between the EU and Latin America on the principles of how international economic relations and disputes should be handled (reflected, say, in the unanimous condemnation of the Helms-Burton Act).

Since the Basic Document, a framework agreement between the EU and Mercosur has been negotiated, signed on 15 December 1995. This agreement on economic and commercial cooperation proposes the establishment of free trade between the two blocs through the elimination of trade barriers over the next 10 years. The agreement was signed within less than two weeks of the signing of the New Transatlantic Agenda, and both were signed within less than a month of the APEC meeting in Manila that laid the foundations for free trade between 18 countries of the Pacific Rim (of which four were American: the three NAFTA members and Chile). The timing is not just a mere coincidence, but reflects to an extent the concern of the EU that it would be left out of the integration schemes taking place in the Americas and in the Pacific. There is no denying that the EU is the most inward-looking of the main trade blocs, with two-thirds of the combined foreign trade of its members being intraregional, and with its common agricultural and external tariff policies. Nonetheless the EU cannot afford to ignore proposals involving the rest of the industrialized and semi-industrialized world to integrate and form units that would rival and exceed its own economic capacities. Seen in this light, the significance of closer and formalized trading relations between the EU and Latin America can be better appreciated from a European perspective too.

Although Mercosur is an area where the relative orientation of economies towards the EU is at its highest level in Latin America (not counting certain Caribbean islands), which makes a more recognized partnership quite natural, the Mercosur–EU agreement could well serve as a basic model for similar agreements with the rest of Latin America. The enlargement of Mercosur may also bring new countries into enhanced trade relations with the EU.

An important factor that strengthens the case for a deeper institutionalization of economic relations between the EU and Latin America is the fact that the EU is by far the most important donor of official development assistance (ODA) to Latin America. The EU accounted for over 60 per cent of the total assistance to the region in 1993, and even close to a half of the aggregated assistance in the period 1980–93 (see Table 11.1). Moreover, of the aggregated ODA of the United States in the period in question, over 53 per cent was directed to only three recipients: El Salvador, Honduras and Costa Rica (28.0, 13.5 and 11.8 per cent respectively), which is simply a reflection of their strategic importance to the US government in the Central American crisis of the 1980s. The EU assistance has been geographically more evenly distributed.¹³

Table 11.1 Official development assistance to Latin America, 1993 and 1980–93 (millions of dollars and percentages of total ODA by region)

	1993		1980–93	
	Value	%	Value	%
EU	2 323	61.6	16 443	46.6
US	528	14.0	11 343	32.2
Japan	727	19.3	5 495	15.6

Source: based on statistics in ‘The Wider European Union: New Priorities for Latin America’, *IRELA Conference Report*, no. 5, 1995. The EU figures include the disbursements of individual countries and that of the European Commission. Note also that the disbursements of Austria, Finland and Sweden – not Union members in those years – have been added (contributing 3.9 per cent of the 1993 share of the EU and 3.0 per cent of total ODA to Latin America).

Politically, development assistance is more important than simply the money involved, as it entails direct contacts between governments and authorities. The EU’s assistance has been less subject to political and military considerations than that of the United States, making it less controversial and perhaps more efficient in pursuing economic and social progress. In order to support more directly the basic objective of its assistance policy, sustained growth and development in the recipient countries, the EU should steer its trade policy towards a more profound institutionalization of mutual trade with Latin America as a whole, in addition to the agreement with Mercosur. Latin American countries themselves could perhaps press a little harder on the issue, preferably as a single unified group, or alternatively as smaller groups. If such a trade policy were to enhance growth in Latin America, a part of the ODA could then be withdrawn and used to alleviate the problems of adversely affected sectors in the Union (for example the textile industry in Portugal, or the fishing industry in France). If an all-at-once solution is not viable, the EU could start with Central America, as the EU commitment to the San José process has been particularly strong.

On the other hand, however, for Latin America to continue unilateral economic liberalization, as it is exhorted to by the IMF, the WTO and the industrialized countries, without simultaneous guarantees for open access to the markets of the major blocs and superpowers, is a foolhardy path to follow. The industrialized countries have maintained their protectionist instruments despite their rhetoric

in the WTO (such as the national trade laws of the United States, the common external tariff of the EU, or the non-tariff barriers of Japan), and should protectionism in the First World rise again (for example due to a severe recession) Latin American countries would find themselves in a more disadvantageous position than before: their exports impeded but their domestic markets still an open battlefield for the 'survival of the fittest'. Moreover, they would find that they have surrendered their main weapon before the battle has begun: they would not have tariff policy or the regulation of financial flows left to use as a bargaining chip at the negotiation table. As stated by Guerra-Borges, *'es poco convincente el argumento de que la política de liberalización unilateral no discriminatoria constituye un medio para preservar los mercados latino americanos frente a economías desarrolladas proteccionistas de gran agresividad comercial'*.¹⁴

Such 'open regionalism' in Latin America, with unilateral liberalization and weak institutionalization, would create a situation oddly resembling late colonial times of the eighteenth century, when the Spanish American markets were liberated but the strings on the economy of the region were still being pulled from outside, at the 'transnational' London banks and merchant houses using the Sevillian companies as their bulwarks. The liberalized economies of Latin America, with no corresponding 'liberties' abroad, would suffer from the extreme concentration of capital, production and markets in the hands of foreign companies, especially transnationals. The long-term benefits of unilateral liberalization are therefore doubtful, be it in terms of sustainable development, dependency, or consumer choice and prices.

If Latin American countries are to proceed with policies of liberalization, they should only do so on the basis of fully reciprocal commitments from their main external trading partners. The best way to secure this is probably through bloc-to-bloc agreements. In any case, economic growth does not require total liberalization. It is worth remembering that the South East Asian countries with extraordinary growth figures over an extended period of time: Japan, South Korea, Singapore and Taiwan, have not been open economies with a minimum of state intervention, especially in the earlier phases of economic expansion. Instead, as noted by Simón Teitel, those countries have exercised an economic policy of careful planning and elaborated state intervention, including elements of protectionism.¹⁵

Against the background described above, another means of strengthening Latin America both economically and politically is the idea of a Latin American Free Trade Area (LAFTA – not to be

confused with the defunct Latin American Free Trade Association with the same acronym). Thus far the discussion on integration in the Americas has paid too little attention to this possibility, perhaps due to the failure of earlier attempts in that direction. Discussion has centred either upon smaller sub-regional schemes or on the hemispheric-wide scheme proposed by the United States. Both economically and politically it could prove a rewarding strategy to unify the now separate integration processes of the region into a single process that would seek to establish such an area, or better still, a Latin American Common Market with a more institutionalized structure. The current process of liberalizing intraregional trade in Latin America is based on several simultaneous 'integration clusters' and on bilateral agreements between single members of these clusters and outsiders; the result being a 'somewhat confusing overlap of agreements that has not yet been sorted out'.¹⁶ It is obvious that such a situation weakens the abilities of Latin American economies to cope with the more or less triadic world economic order.

The still existing sentiments in favour of further integration in Latin America (despite disappointment with reforms at national levels), as recorded by Latinobarometro, make a policy of Latin American-wide integration politically fertile ground for governments to build on. If hemispheric free trade is repeatedly discussed at summits, then why not the quite natural idea of an economically united *Patria Grande*?¹⁷ At least there is an urgent need for a common Latin American integration strategy within the overall plan for an FTAA. This need is now beginning to be recognized: for example, the leader of the Chilean industrialists' organization, Felipe Lamarca, said recently that Latin American integration should be prioritized in order to negotiate an FTAA on an equal footing with the United States.¹⁸ A Latin American-wide regional integration arrangement would also help in turning what will most likely be a bilaterally negotiated FTAA into a more truly multilateral system by forming an institutional 'rim' that would connect the 'spokes' (that is Latin American countries) with each other as well as with the 'hub' (that is the United States), to use Wonnacott's well-known metaphor.

In spite of the fact that the US generally favours integration, it is possible that it would oppose a Latin American-wide integration initiative, and especially if it was designed to be more institutionalized than a purely commercial agreement. US strategic interests, especially north of the Panama Canal, could be too important to allow such a process to take place. However, for the remaining countries a South

American Common Market could be a viable option, as noted by Mario Pastore.¹⁹

Considering that of the six South American nations (excluding the Guyanas) presently outside of Mercosur, Chile and Bolivia are likely to become full members, while the others are taking part in the Andean integration scheme (overlapping in the case of Bolivia), an integrated South America seems not too distant a prospect.

In any case intraregional trade in Latin America, despite its rapid growth in recent years, is still at a relatively low level – around 20 per cent of total Latin American foreign trade (compared to 50 per cent in NAFTA and 60 per cent in the EU). Thus, a broader process of regional integration would offer significant growth potential without hampering extraregional trade. The potential is greater in non-traditional, manufactured products, of which a great proportion are imported from outside the region, than in traditional ones (like coffee, fruit, textiles), for which the main markets are and would remain extraregional. The current commercial profile of the Latin American economies, whereby they are more or less competitors in extraregional markets, should be transformed into one in which they complement one another in their regional markets.

CONCLUSION

Extraregional economic relations are important to all American nations that are to a greater or lesser extent inside the sphere of influence of the US economy. Such relations would balance this influence economically and politically, and they would give some leverage in the event that the United States resorts to a more protectionist policy by giving priority to its national trade laws over international commitments. The possibility of increased US protectionism is not excluded by international free trade agreements, considering the experience of Canada. Purely commercial agreements like NAFTA lack an institutional structure capable of establishing a truly reciprocal trading system based on equal terms, and of minimizing arbitrary protectionism used against competitors. Neither do bilateral trade agreements offer guarantees in this respect.

Therefore, both the other two NAFTA countries (Canada and Mexico) and the other Latin American countries need a stronger multi-lateral and institutional basis for their international economic relations. So far the most promising partnership for the purpose is